

§ 301-11.532

penalty payment (tax years 1993 and 1994 only).

(d) Any other documentation necessary to substantiate the claim.

§301-11.532 How should we compute the employee's ITRA?

You should follow the procedures prescribed for the relocation income tax allowance, see §302-11.7, §302-11.8 and Appendices A, B, C, and D to part 302-11 of this title or as illustrated in §301-11.535.

§301-11.533 Are tax penalty and interest payments reimbursable?

Yes, the total amount of any penalty and interest assessed by the IRS (for tax years 1993 and 1994 only) due to the failure of the Government to withhold the appropriate income taxes are reimbursable.

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§301-11.534 What tax tables should we use to calculate the amount of allowable reimbursement?

The tax tables for the year the tax was incurred are to be used.

§301-11.535 How should we calculate the ITRA?

(a) Use the documents prescribed in §301-11.531 to calculate the ITRA as follows:

(1) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in §302-11.7, §302-11.8 and Appendices A, B, C and D to part 302-11 of this title; and

(2) Add any penalty or interest for tax years 1993 or 1994 only to determine the full ITRA payment; or

(b) As calculated in the following illustration.

Example of calculating an employee's tax return using the marginal tax rate schedules in Appendix B to part 302-11 of this title:

FOR TAX YEARS 1993 OR 1994 (MARRIED FILING JOINT RETURN)

	Original	Recalculated
1. Adjusted Gross Income (w/ travel reimbursement)	\$75,246	\$75,246
2. Subtract travel reimbursement	(15,482)	(15,482)
3. Subtract personal exemptions and itemized or standard deductions	(12,689)	(12,689)
4. Adjusted taxable Income	62,557	47,075
5. Tax liability on adjusted taxable income:		
a. Federal	17,516	\$7,061*
(28%)	(28%)	(15%)
b. State, VA (5.75% tax bracket)	3,597	2,707
c. Local: Not applicable	0	0
d. Total	21,113	9,768
6. Difference of total of column 1 minus total of column 2:		
Additional Taxes Incurred due to travel reimbursement—\$11,345		
7. Add to the tax difference:		
a. Penalty Payment imposed by IRS tax year 1993—1,500		
b. Interest Payment imposed by IRS tax year 1993—1,500		
Total 6 and 7a and b = ITRA—\$14,345**		

* Adjusted taxable income places employee in lower tax bracket.

** The ITRA reimbursement is taxable income for the year in which paid at the appropriate Federal, State and local income tax rates.

§301-11.536 Is the ITRA reimbursement considered to be income to the employee?

Yes. The ITRA reimbursement is considered taxable income in the year paid and is subject to tax withholding as any other income.

§301-11.537 Are income taxes to be withheld from the ITRA?

Yes, as determined by your internal tax withholding procedures established for your agency pursuant to IRS procedures.